

**SECOND SUPPLEMENTAL
BOND DECLARATION**

TO THE

**MASTER SECOND LIEN WATER SYSTEM
REVENUE BOND DECLARATION**

City of Portland, Oregon

relating to the City's

Second Lien Water System Revenue Bonds

2019 Series A

Executed by the Debt Manager of the City of Portland, Oregon

As of the 22nd day of October, 2019

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SECOND SUPPLEMENTAL BOND DECLARATION

THIS SECOND SUPPLEMENTAL BOND DECLARATION is executed as of October 22, 2019, by the Debt Manager of the City of Portland, Oregon pursuant to the authority granted to the Debt Manager by City Ordinance No. 189657 to supplement the City's Master Second Lien Water System Revenue Bond Declaration and to establish the terms under which the City's Second Lien Water System Revenue Bonds, 2019 Series A are issued.

Section 1. Recitals.

The City recites:

- 1.1. The City enacted Ordinance No. 189657 on August 21, 2019, authorizing the City to issue revenue bonds that are secured by the revenues of the Water System to, among other things, provide up to \$150,000,000 of proceeds for water system projects and to pay costs related to the bonds.
- 1.2. The City is issuing its 2019 Series A Bonds under the Master Second Lien Water System Revenue Bond Declaration dated as of May 2, 2013, as previously supplemented, on the date of this Second Supplemental Bond Declaration for the purposes described in Section 1.1 hereof.
- 1.3. This Second Supplemental Bond Declaration describes the terms related to the 2019 Series A Bonds that are being added to the Master Second Lien Water System Revenue Bond Declaration.

Section 2. Definitions

Unless the context clearly requires otherwise, capitalized terms that are used in this Second Supplemental Bond Declaration and are defined in this Section 2 shall have the meanings defined for those terms in this Section 2, and capitalized terms that are used in this Second Supplemental Bond Declaration but are not defined in this Section 2 shall have the meanings defined for those terms in the Master Second Lien Water System Revenue Bond Declaration.

"2019 Series A Bonds" means the City's Second Lien Water System Revenue Bonds, 2019 Series A issued pursuant to Section 3 of this Second Supplemental Bond Declaration.

"Master Declaration" means the Master Second Lien Water System Revenue Bond Declaration that the City executed as of May 2, 2013, as amended by the First Supplemental Bond Declaration executed as of May 2, 2013, and including any amendments made pursuant to its terms.

Section 3. The 2019 Series A Bonds.

- 3.1. Pursuant to the authority of City Ordinance No. 189657 the City has issued its Second Lien Water System Revenue Bonds, 2019 Series A, in the aggregate principal amount of

\$112,005,000. The 2019 Series A Bonds shall bear interest payable on May 1 and November 1 of each year at the following rates, commencing May 1, 2020, and shall mature on May 1 in the following years in the following principal amounts:

| Maturity Date (May 1) | Principal Amount (\$) | Interest Rate (%) | CUSIP No. (Base 736754) |
|----------------------------------|----------------------------------|------------------------------|------------------------------------|
| 2020 | 2,520,000 | 5.000 | PR7 |
| 2021 | 2,475,000 | 5.000 | PS5 |
| 2022 | 2,600,000 | 5.000 | PT3 |
| 2023 | 2,730,000 | 5.000 | PU0 |
| 2024 | 2,865,000 | 5.000 | PV8 |
| 2025 | 3,010,000 | 5.000 | PW6 |
| 2026 | 3,160,000 | 5.000 | PX4 |
| 2027 | 3,320,000 | 5.000 | PY2 |
| 2028 | 3,485,000 | 5.000 | PZ9 |
| 2029 | 3,660,000 | 5.000 | QA3 |
| 2030 | 3,840,000 | 5.000 | QB1 |
| 2031 | 4,035,000 | 5.000 | QC9 |
| 2032 | 4,235,000 | 5.000 | QD7 |
| 2033 | 4,445,000 | 5.000 | QE5 |
| 2034 | 4,670,000 | 5.000 | QF2 |
| 2035 | 4,905,000 | 5.000 | QG0 |
| 2036 | 5,150,000 | 5.000 | QH8 |
| 2037 | 5,405,000 | 5.000 | QJ4 |
| 2038 | 5,675,000 | 4.000 | QK1 |
| 2039 | 5,900,000 | 4.000 | QL9 |
| 2044* | 33,920,000 | 5.000 | QM7 |

*Term Bond

- 3.2. The 2019 Series A Bonds are issued as Parity Second Lien Obligations pursuant to the Master Declaration and are “Second Lien Bonds” under the Master Declaration secured by a pledge of the Net Revenues and Federal Subsidies for Second Lien Bonds on a parity with such pledges that secure outstanding Second Lien Bonds and any future Parity Second Lien Obligations.
- 3.3. No subaccount in the Second Lien Bond Reserve Account is being created for the 2019 Series A Bond, and the City is not required to deposit or maintain any amount in the Second Lien Bond Reserve Account for the 2019 Series A Bond.
- 3.4. The 2019 Series A Bonds maturing on or after May 1, 2030, are subject to redemption prior to maturity in whole or in part at the option of the City on any date on or after November 1, 2029, in any order of maturity and by lot within a maturity. Any such redemption shall be at a price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest thereon to the date fixed for redemption. In the case of any redemption of less than all of the outstanding 2019 Series A Bonds, the City shall have

the right to specify the particular maturities to be redeemed and the aggregate principal amount of each maturity to be redeemed.

- 3.5. The 2019 Series A Term Bonds maturing on May 1, 2044 are subject to mandatory redemption (in such manner as the Paying Agent and DTC will determine or by lot by the Paying Agent) on May 1 of the following years in the following principal amounts, at a price of par plus accrued interest to the date of redemption.

Series 2019A Bonds Due May 1, 2044

| Redemption Date | Principal Amount |
|------------------------|-------------------------|
| (May 1) | |
| 2040 | \$6,140,000 |
| 2041 | 6,445,000 |
| 2042 | 6,770,000 |
| 2043 | 7,105,000 |
| 2044 [†] | 7,460,000 |

[†]Final Maturity.

- 3.6. The 2019 Series A Bonds shall be in substantially the form attached as Exhibit A and shall be signed with the facsimile or manual signature of the Mayor and the City Auditor or Debt Manager.

- 3.7. Tax-Exempt Status:

- A. The City covenants for the benefit of the Owners of the 2019 Series A Bonds to comply with all provisions of the Code which are required for interest on the 2019 Series A Bonds to be excluded from gross income for federal taxation purposes. In determining what actions are required to comply, the City may rely on an opinion of Bond Counsel. The City makes the following specific covenants with respect to the Code:

- (i) The City will not take any action or omit any action if it would cause the 2019 Series A Bonds to become “arbitrage bonds” under Section 148 of the Code;
- (ii) The City shall operate the facilities financed with the 2019 Series A Bonds so that the 2019 Series A Bonds do not become private activity bonds within the meaning of Section 141 of the Code;
- (iii) The City shall pay, when due, all rebates and penalties with respect to the 2019 Series A Bonds which are required by Section 148(f) of the Code.

- B. The covenants contained in Section 3.7.A and any covenants in the closing documents for the 2019 Series A Bonds shall constitute contracts with the owners of the 2019 Series A Bonds, and shall be enforceable by them.

- 3.8. The 2019 Series A Bond proceeds shall be applied as described in the Closing Memorandum prepared by Citigroup Global Markets Inc. for the 2019 Series A Bonds. Earnings from investment of the 2019 Series A Bond proceeds shall be treated and disbursed as 2019 Series A Bond proceeds.

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EXECUTED ON BEHALF OF THE CITY OF PORTLAND BY ITS DEBT MANAGER AS OF
THE 22ND DAY OF OCTOBER, 2019.

City of Portland, Oregon

By: Matthew Gierach
Matthew Gierach, Debt Manager